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News Release

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2 indicted in mortgage fraud scheme

A federal indictment was unsealed today following the arrest of a Minnesota man in Florida on charges related to mortgage fraud. The indictment, filed under seal in U.S. District Court in Minnesota on January 20, 2010, alleges that Michael Anthony Prieskorn, 35, of Ellendale, with assistance from Richard Mathew Laho, 54, of Buffalo, orchestrated a mortgage fraud scheme through which Prieskorn received more than \$5 million from investors who purchased approximately 70 residential properties in Florida and Minnesota between December 2006 and April 2007. Specifically, the indictment charges both men with 23 counts of wire fraud, one count of mail fraud, and one count of conspiracy to commit wire fraud. Prieskorn, who was arrested in Florida, also was charged with two counts of engaging in a monetary transaction. Laho will be summoned in Minnesota.

According to the indictment, the defendants conspired to obtain mortgage loan proceeds fraudulently by making false representations and promises and withholding material information about the purchase of residential properties. The indictment states that in 2006, Prieskorn, under the business names Blackstone Sales and Maine Estates, negotiated with builders to purchase numerous residential properties in Florida and Minnesota at discounted prices. Laho, a mortgage broker, worked with Prieskorn to solicit investors with good credit histories to buy some of the properties, allegedly telling them the mortgage loans as well as the deals themselves would be risk free. The defendants also allegedly promised each investor \$5,000 for every property purchased with his or her name and credit history. Furthermore, the defendants represented that Blackstone or Maine Estates would maintain the properties, make the monthly mortgage payments in addition to paying other related expenses, and, ultimately, sell the properties.

During the course of this scheme, Prieskorn and Laho assisted and caused others to assist investors in securing mortgage loans by, among other things, temporarily depositing money into the bank accounts of those investors to make it appear they had sufficient assets to qualify for the loans they sought. Those actions, however, were concealed from the lenders. In addition, Prieskorn allegedly advised investors to misrepresent the true nature of the real estate

transactions on HUD-1 forms, which were prepared for closing and subsequently provided to the mortgage lenders.

After the closing on each of the 70 properties, Prieskorn purportedly received a portion of the loan proceeds, described in the closing documents as “management fees” to Blackstone Sales, Maine Estates, or other entities. According to the indictment, those so-called management fees ranged from \$18,000 to \$228,000 per property and totaled more than \$5 million for the 70 properties.

Although Prieskorn allegedly promised investors he would pay the mortgage loan payments for a minimum of nine months, he failed to do so. As a result, short-sales and foreclosures occurred, damaging investors’ credit. In August 2007, Prieskorn mailed a notice to the investors, indicating that Blackstone Sales had been acquired by Sydney and Lloyds.

In addition to the conspiracy charge detailed above, the indictment alleges the defendants’ actions caused wire transfers on 23 dates between January 19, 2007, and April 17, 2007. Moreover, the indictment alleges that on April 9, 2007, the defendants caused documents to be sent through the U.S. mail relative to one of the properties of this fraud.

Finally, as to the two-count charge against Prieskorn that he engaged in illegal monetary transactions, the indictment alleges he withdrew \$20,000 in fraud proceeds from a Maine Estates bank account on May 1, 2007, and on May 7, 2007, made a wire transfer of \$225,000 in fraud proceeds from a Maine Estates bank account to another bank account.

If convicted, the defendants face a potential maximum penalty of 20 years in prison on each wire fraud count, 20 years on the mail fraud count, and 20 years on the conspiracy count. Prieskorn faces an additional 10 years on each monetary transaction count. All sentences will be determined by a federal district court judge.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division, the Eagan Police Department, the Minnesota Department of Commerce, the United States Secret Service, the Minnesota Financial Crimes Task Force and the Minnesota Bureau of Criminal Apprehension. It is being prosecuted by Assistant U.S. Attorney Tracy L. Perzel.

An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.